

| Lipton Income Summary   |               |               |               |               |               |              |               |               |                 |  |
|---|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|-----------------|--|
| Item  | 1995          | 1996          | 1997          | 1998          | 1999          | 2000         | 2001          | 2002          | Totals          |  |
| 1 Times Mirror Cable  | \$ 204,239.00 | \$ 22,800.00  | \$ 85,000.00  | \$ 5,000.00   |               |              |               |               | \$ 227,039.00   |  |
| 2 JSL Account Trust   | \$ 46,600.00  | \$ 157,638.02 | \$ 10,000.00  | \$ 10,000.00  |               |              |               |               | \$ 294,238.02   |  |
| 3 BRL Account Trust   | \$ 12,000.00  | \$ 25,000.00  | \$ 10,000.00  | \$ 10,000.00  |               |              |               |               | \$ 57,000.00    |  |
| 4 Genuine Mgmt. Trust   | \$ -          | \$ 16,000.00  | \$ 5,000.00   | \$ 12,502.26  |               |              |               |               | \$ 33,502.26    |  |
| 5 Internet Control Trust                                      | \$ -          | \$ 51,000.00  | \$ 15,000.00  | \$ 24,072.62  | \$ 4,905.90   |              |               |               | \$ 94,978.52    |  |
| 6 Sorrell Property Trust                                      | \$ -          | \$ 30,000.00  | \$ 14,000.00  |               |               |              |               |               | \$ 44,000.00    |  |
| 7 Pal Marketing Trust   | \$ 58,552.28  | \$ 55,000.00  | \$ -          | \$ 1,000.00   |               |              |               |               | \$ 114,552.28   |  |
| 8 American Express - John                                     | \$ 10,882.47  | \$ -          | \$ 9,861.74   | \$ 74,944.19  | \$ 101,134.06 | \$ 59,210.87 |               |               | \$ 256,033.33   |  |
| 9 American Express - Bonnie                                   | \$ 1,055.48   | \$ -          | \$ -          | \$ 8,292.57   | \$ 22,667.70  | \$ 10,350.90 |               |               | \$ 42,366.65    |  |
| 10 THE Account Trust  | \$ 10,000.00  | \$ 24,620.00  | \$ 11,128.00  | \$ 4,000.00   |               |              |               |               | \$ 49,748.00    |  |
| 11 Distribidora Antioquia de Occidente, S.A. (Banco Interfin) |               |               |               |               | 6,477.95      | \$ 7,797.10  | \$ 155,605.02 |               | \$ 169,880.07   |  |
| 12 Belize - Provident Bk & Trust - JSL Account                |               |               |               |               |               |              | \$ 28,725.00  |               | \$ 28,725.00    |  |
| 13 Latham Enterprises   |               |               |               |               |               |              | \$ 39,250.00  |               | \$ 90,040.00    |  |
| 14 Larix International  |               |               |               |               |               |              | \$ 52,250.00  |               | \$ 68,750.00    |  |
| 15 Venture Sports Corporation                                 |               |               |               |               |               |              | \$ 24,250.00  |               | \$ 47,040.00    |  |
| 16 Village Hall Investments                                   |               |               |               |               |               |              | \$ 11,000.00  |               | \$ 32,040.00    |  |
| 17 The Antique Gallery  |               |               |               |               |               |              | \$ 74,770.14  |               | \$ 74,770.14    |  |
|   | \$ 343,329.23 | \$ 382,058.02 | \$ 149,989.74 | \$ 139,811.64 | \$ 135,185.61 | \$ 77,358.87 | \$ 311,080.02 | \$ 185,890.14 | \$ 1,724,703.27 |  |
| Less Wages  | \$ 204,239.00 | \$ 22,800.00  |               |               |               |              |               |               |                 |  |
| Net Genesis Funds only  | \$ 139,090.23 | \$ 359,258.02 |               |               |               |              |               |               |                 |  |
| Community Property Split (CPS) 1/2 to each                    | \$ 69,545.12  | \$ 179,629.01 | \$ 74,994.87  | \$ 69,905.82  | \$ 67,592.80  | \$ 38,679.44 | \$ 155,540.01 | \$ 92,945.07  |                 |  |

Corrected Report

Form **4549-A**  
(Rev. May 2008)

Department of the Treasury-Internal Revenue Service

**Income Tax Discrepancy Adjustments**Page 1 of 6

Name and Address of Taxpayer

John S. Lipton

Taxpayer Identification Number

Return Form No.:

1040

Person with whom  
examination  
changes were  
discussed.

Name and Title:

| 1. Adjustments to Income   |  | Period End<br>12/31/1995 | Period End<br>12/31/1996 | Period End<br>12/31/1997 |
|--|--|--------------------------|--------------------------|--------------------------|
| a. Wages, Salaries and Tips, etc.  |  | 204,239.00               | 22,800.00                |                          |
| b. Capital Gain or Loss  |  | 139,090.00               | 359,258.00               | 149,990.00               |
| c. Standard Deduction  |  | (3,275.00)               | (3,350.00)               | (3,450.00)               |
| d. Exemptions  |  |                          |                          | (106.00)                 |
| e.   |  |                          |                          |                          |
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| p.   |  |                          |                          |                          |
| 2. Total Adjustments   |  | 340,054.00               | 378,708.00               | 146,434.00               |
| 3. Taxable Income Per Return or as Previously Adjusted   |  | 0.00                     | 0.00                     | 0.00                     |
| 4. Corrected Taxable Income  |  | 340,054.00               | 378,708.00               | 146,434.00               |
| Tax Method   |  | SCHEDULE D               | SCHEDULE D               | SCHEDULE D               |
| Filing Status  |  | Married Separate         | Married Separate         | Married Separate         |
| 5. Tax   |  | 106,371.00               | 103,439.00               | 27,227.00                |
| 6. Additional Taxes / Alternative Minimum  |  |                          |                          |                          |
| 7. Corrected Tax Liability   |  | 106,371.00               | 103,439.00               | 27,227.00                |
| 8. Less  |  |                          |                          |                          |
| Credits  |  |                          |                          |                          |
| a.   |  |                          |                          |                          |
| b.   |  |                          |                          |                          |
| c.   |  |                          |                          |                          |
| d.   |  |                          |                          |                          |
| 9. Balance (Line 7 less total of Lines 8a thru 8d)   |  | 106,371.00               | 103,439.00               | 27,227.00                |
| 10. Plus   |  |                          | 1,787.00                 |                          |
| Other  |  |                          |                          |                          |
| Taxes  |  |                          |                          |                          |
| a. Alternative Minimum Tax   |  |                          |                          |                          |
| b.   |  |                          |                          |                          |
| c.   |  |                          |                          |                          |
| d.   |  |                          |                          |                          |
| 11. Total Corrected Tax Liability (Line 9 plus Lines 10a thru 10d)   |  | 106,371.00               | 105,226.00               | 27,227.00                |
| 12. Total Tax Shown on Return or as Previously Adjusted  |  | 0.00                     | 0.00                     | 0.00                     |
| 13. Adjustments to:  |  |                          |                          |                          |
| a.   |  |                          |                          |                          |
| b.   |  |                          |                          |                          |
| c.   |  |                          |                          |                          |
| 14. Deficiency-Increase in Tax or (Overassessment - Decrease in Tax)<br>(Line 11 less Line 12 adjusted by Lines 13a through 13c) |  | 106,371.00               | 105,226.00               | 27,227.00                |
| 15. Adjustments to Prepayment Credits-Increase (Decrease)  |  | 54,878.00                | 4,560.00                 |                          |
| 16. Balance Due or (Overpayment) (Line 14 adjusted by Line 15)<br>(Excluding interest and penalties)                             |  | 51,493.00                | 100,666.00               | 27,227.00                |

Corrected Report

|                                       |   |                          |                           |
|---------------------------------------|---|--------------------------|---------------------------|
| <b>Form 4549-A</b><br>(Rev. May 2008) | Department of the Treasury-Internal Revenue Service<br><b>Income Tax Discrepancy Adjustments</b>                            |                          | Page <u>2</u> of <u>6</u> |
| Name of Taxpayer<br>John S. Lipton    | Taxpayer Identification Number<br><div style="background-color: black; width: 100px; height: 1.2em; margin: 0 auto;"></div> | Return Form No..<br>1040 |                           |

  

| 17. Penalties/ Code Sections   | Period End<br>12/31/1995 | Period End<br>12/31/1996 | Period End<br>12/31/1997 |
|--|--------------------------|--------------------------|--------------------------|
| a.   |                          |                          |                          |
| b.   |                          |                          |                          |
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| n.   |                          |                          |                          |
| <b>18. Total Penalties</b>   |                          |                          |                          |
| Underpayment attributable to negligence: (1981-1987)<br>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed. |                          |                          |                          |
| Underpayment attributable to fraud: (1981-1987)<br>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.      |                          |                          |                          |
| Underpayment attributable to Tax Motivated Transactions (TMT).<br>Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).    | 0.00                     | 0.00                     | 0.00                     |
| <b>19. Summary of Taxes, Penalties and Interest:</b>   |                          |                          |                          |
| a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)  | 51,493.00                | 100,666.00               | 27,227.00                |
| b. Penalties (Line 18) - computed to 10/01/2009  |                          |                          |                          |
| c. Interest (IRC § 6601) - computed to 10/31/2009  | 80,332.13                | 135,397.58               | 31,150.12                |
| d. TMT Interest - computed to 10/31/2009 (on TMT underpayment)   | 0.00                     | 0.00                     | 0.00                     |
| e. Amount due or refund - (sum of Lines a, b, c and d)   | 131,825.13               | 236,063.58               | 58,377.12                |

**Other Information:**

DRAFT COMPUTATIONS ONLY

This Report Supersedes the Report Issued 9/25/2009

|  |                          |                          |                     |
|--|--------------------------|--------------------------|---------------------|
| Examiner's Signature:<br>Name<br>SAR Computations Only | Employee ID:<br>00-00000 | Office:<br>Laguna Niguel | Date:<br>10/01/2009 |
|--|--------------------------|--------------------------|---------------------|

The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

## Corrected Report

Form **4549-A**  
(Rev. May 2008)

Department of the Treasury-Internal Revenue Service

**Income Tax Discrepancy Adjustments**Page 3 of 6

Name and Address of Taxpayer

John S. Lipton

Taxpayer Identification Number

Return Form No.:

1040

Person with whom  
examination  
changes were  
discussed.

Name and Title:

| 1. Adjustments to Income   | Period End<br>12/31/1998 | Period End<br>12/31/1999 | Period End<br>12/31/2000 |
|--|--------------------------|--------------------------|--------------------------|
| a. Capital Gain or Loss  | 139,812.00               | 135,186.00               | 77,359.00                |
| b. Standard Deduction  | (3,550.00)               | (3,600.00)               | (3,675.00)               |
| c. Exemptions  | (648.00)                 | (935.00)                 | (2,800.00)               |
| d.   |                          |                          |                          |
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| p.   |                          |                          |                          |
| <b>2. Total Adjustments</b>  | <b>135,614.00</b>        | <b>130,651.00</b>        | <b>70,884.00</b>         |
| <b>3. Taxable Income Per Return or as Previously Adjusted</b>  | <b>0.00</b>              | <b>0.00</b>              | <b>0.00</b>              |
| <b>4. Corrected Taxable Income</b>   | <b>135,614.00</b>        | <b>130,651.00</b>        | <b>70,884.00</b>         |
| Tax Method   | SCHEDULE D               | SCHEDULE D               | SCHEDULE D               |
| Filing Status  | Married Separate         | Married Separate         | Married Separate         |
| <b>5. Tax</b>  | <b>25,006.00</b>         | <b>23,978.00</b>         | <b>11,985.00</b>         |
| <b>6. Additional Taxes / Alternative Minimum</b>   |                          |                          |                          |
| <b>7. Corrected Tax Liability</b>  | <b>25,006.00</b>         | <b>23,978.00</b>         | <b>11,985.00</b>         |
| <b>8. Less</b>   |                          |                          |                          |
| a. Credits   |                          |                          |                          |
| b.   |                          |                          |                          |
| c.   |                          |                          |                          |
| d.   |                          |                          |                          |
| <b>9. Balance (Line 7 less total of Lines 8a thru 8d)</b>  | <b>25,006.00</b>         | <b>23,978.00</b>         | <b>11,985.00</b>         |
| <b>10. Plus</b>  |                          |                          |                          |
| a. Other   |                          |                          |                          |
| b. Taxes   |                          |                          |                          |
| c.   |                          |                          |                          |
| d.   |                          |                          |                          |
| <b>11. Total Corrected Tax Liability (Line 9 plus Lines 10a thru 10d)</b>  | <b>25,006.00</b>         | <b>23,978.00</b>         | <b>11,985.00</b>         |
| <b>12. Total Tax Shown on Return or as Previously Adjusted</b>   | <b>0.00</b>              | <b>0.00</b>              | <b>0.00</b>              |
| <b>13. Adjustments to:</b>   |                          |                          |                          |
| a.   |                          |                          |                          |
| b.   |                          |                          |                          |
| c.   |                          |                          |                          |
| <b>14. Deficiency-Increase in Tax or (Overassessment - Decrease in Tax)<br/>(Line 11 less Line 12 adjusted by Lines 13a through 13c)</b> | <b>25,006.00</b>         | <b>23,978.00</b>         | <b>11,985.00</b>         |
| <b>15. Adjustments to Prepayment Credits-Increase (Decrease)</b>   |                          |                          |                          |
| <b>16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15)<br/>(Excluding interest and penalties)</b>                           | <b>25,006.00</b>         | <b>23,978.00</b>         | <b>11,985.00</b>         |



## Corrected Report

|                                       |   |                          |                           |
|---------------------------------------|---|--------------------------|---------------------------|
| <b>Form 4549-A</b><br>(Rev. May 2008) | Department of the Treasury-Internal Revenue Service<br><b>Income Tax Discrepancy Adjustments</b>            |                          | Page <u>4</u> of <u>6</u> |
| Name of Taxpayer<br>John S. Lipton    | Taxpayer Identification Number<br><div style="background-color: black; width: 100px; height: 1.2em;"></div> | Return Form No.:<br>1040 |                           |

  

| 17. Penalties/ Code Sections   | Period End<br>12/31/1998 | Period End<br>12/31/1999 | Period End<br>12/31/2000 |
|--|--------------------------|--------------------------|--------------------------|
| a.   |                          |                          |                          |
| b.   |                          |                          |                          |
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| <b>18. Total Penalties</b>   |                          |                          |                          |
| Underpayment attributable to negligence: (1981-1987)<br>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed. |                          |                          |                          |
| Underpayment attributable to fraud: (1981-1987)<br>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.      |                          |                          |                          |
| Underpayment attributable to Tax Motivated Transactions (TMT).<br>Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).    | 0.00                     | 0.00                     | 0.00                     |
| <b>19. Summary of Taxes, Penalties and Interest:</b>   |                          |                          |                          |
| a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)  | 25,006.00                | 23,978.00                | 11,985.00                |
| b. Penalties (Line 18) - computed to 10/01/2009  |                          |                          |                          |
| c. Interest (IRC § 6601) - computed to 10/31/2009  | 24,609.53                | 19,915.61                | 8,078.16                 |
| d. TMT Interest - computed to 10/31/2009 (on TMT underpayment)   | 0.00                     | 0.00                     | 0.00                     |
| e. Amount due or refund - (sum of Lines a, b, c and d)   | 49,615.53                | 43,893.61                | 20,063.16                |

**Other Information:**

DRAFT COMPUTATIONS ONLY

This Report Supersedes the Report Issued 9/25/2009

|                               |              |               |            |
|-------------------------------|--------------|---------------|------------|
| Examiner's Signature:<br>Name | Employee ID: | Office:       | Date:      |
| SAR Computations Only         | 00-00000     | Laguna Niguel | 10/01/2009 |

The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

## Corrected Report

Form **4549-A**  
(Rev. May 2008)

Department of the Treasury-Internal Revenue Service

**Income Tax Discrepancy Adjustments**Page 5 of 6

Name and Address of Taxpayer

John S. Lipton

Taxpayer Identification Number

Return Form No.:

1040

Person with whom  
examination  
changes were  
discussed.

Name and Title:

| 1. Adjustments to Income   | Period End<br>12/31/2001 | Period End<br>12/31/2002 | Period End |
|--|--------------------------|--------------------------|------------|
| a. Capital Gain or Loss  | 311,080.00               | 185,890.00               |            |
| b. Standard Deduction  | (3,800.00)               | (3,925.00)               |            |
| c.   |                          |                          |            |
| d.   |                          |                          |            |
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| p.   |                          |                          |            |
| <b>2. Total Adjustments</b>  | <b>307,280.00</b>        | <b>181,965.00</b>        |            |
| <b>3. Taxable Income Per Return or as Previously Adjusted</b>  | <b>0.00</b>              | <b>0.00</b>              |            |
| <b>4. Corrected Taxable Income</b>   | <b>307,280.00</b>        | <b>181,965.00</b>        |            |
| Tax Method   | SCHEDULE D               | SCHEDULE D               |            |
| Filing Status  | Married Separate         | Married Separate         |            |
| <b>5. Tax</b>  | <b>59,196.00</b>         | <b>34,058.00</b>         |            |
| <b>6. Additional Taxes / Alternative Minimum</b>   | <b>760.00</b>            | <b>785.00</b>            |            |
| <b>7. Corrected Tax Liability</b>  | <b>59,956.00</b>         | <b>34,843.00</b>         |            |
| <b>8. Less Credits</b>   |                          |                          |            |
| a. Rate Reduction Credit   | 300.00                   |                          |            |
| b.   |                          |                          |            |
| c.   |                          |                          |            |
| d.   |                          |                          |            |
| <b>9. Balance (Line 7 less total of Lines 8a thru 8d)</b>  | <b>59,656.00</b>         | <b>34,843.00</b>         |            |
| <b>10. Plus</b>  |                          |                          |            |
| Other  |                          |                          |            |
| Taxes  |                          |                          |            |
| a.   |                          |                          |            |
| b.   |                          |                          |            |
| c.   |                          |                          |            |
| d.   |                          |                          |            |
| <b>11. Total Corrected Tax Liability (Line 9 plus Lines 10a thru 10d)</b>  | <b>59,656.00</b>         | <b>34,843.00</b>         |            |
| <b>12. Total Tax Shown on Return or as Previously Adjusted</b>   | <b>0.00</b>              | <b>0.00</b>              |            |
| <b>13. Adjustments to:</b>   |                          |                          |            |
| a.   |                          |                          |            |
| b.   |                          |                          |            |
| c.   |                          |                          |            |
| <b>14. Deficiency-Increase in Tax or (Overassessment - Decrease in Tax)<br/>(Line 11 less Line 12 adjusted by Lines 13a through 13c)</b> | <b>59,656.00</b>         | <b>34,843.00</b>         |            |
| <b>15. Adjustments to Prepayment Credits-Increase (Decrease)</b>   |                          |                          |            |
| <b>16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15)<br/>(Excluding interest and penalties)</b>                           | <b>59,656.00</b>         | <b>34,843.00</b>         |            |

Corrected Report

|                                       |   |                          |                           |
|---------------------------------------|---|--------------------------|---------------------------|
| <b>Form 4549-A</b><br>(Rev. May 2008) | Department of the Treasury-Internal Revenue Service<br><b>Income Tax Discrepancy Adjustments</b>            |                          | Page <u>6</u> of <u>6</u> |
| Name of Taxpayer<br>John S. Lipton    | Taxpayer Identification Number<br><div style="background-color: black; width: 100px; height: 1.2em;"></div> | Return Form No.:<br>1040 |                           |

  

| 17. Penalties/ Code Sections   | Period End<br>12/31/2001 | Period End<br>12/31/2002 | Period End |
|--|--------------------------|--------------------------|------------|
| a.   |                          |                          |            |
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| <b>18. Total Penalties</b>   |                          |                          |            |
| Underpayment attributable to negligence: (1981-1987)<br>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed. |                          |                          |            |
| Underpayment attributable to fraud: (1981-1987)<br>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.      |                          |                          |            |
| Underpayment attributable to Tax Motivated Transactions (TMT).<br>Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).    | 0.00                     | 0.00                     |            |
| <b>19. Summary of Taxes, Penalties and Interest:</b>   |                          |                          |            |
| a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)  | 59,656.00                | 34,843.00                |            |
| b. Penalties (Line 18) - computed to 10/01/2009  |                          |                          |            |
| c. Interest (IRC § 6601) - computed to 10/31/2009  | 33,532.60                | 16,563.47                |            |
| d. TMT Interest - computed to 10/31/2009 (on TMT underpayment)   | 0.00                     | 0.00                     |            |
| e. Amount due or refund - (sum of Lines a, b, c and d)   | 93,188.60                | 51,406.47                |            |

**Other Information:**

DRAFT COMPUTATIONS ONLY

This Report Supersedes the Report Issued 9/25/2009

|  |                          |                          |                     |
|--|--------------------------|--------------------------|---------------------|
| Examiner's Signature:<br>Name<br>SAR Computations Only | Employee ID:<br>00-00000 | Office:<br>Laguna Niguel | Date:<br>10/01/2009 |
|--|--------------------------|--------------------------|---------------------|

The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.